

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation

ITEM NUMBER: 10a

ATTACHMENT(S): 6

ACTION: X

MEETING DATE: June 5, 2003

INFORMATION: ____

PRESENTER: Ed Derman

I. SUMMARY OF STATE LEGISLATION

Staff has prepared the attached analyses and recommended positions on the following measures for the Teachers' Retirement Board's consideration:

<u>Attachment</u>	<u>Bill Number</u>	<u>Author</u>	<u>Subject</u>
1	AB 434	Hancock	Exempts from the earnings limit a member who retired for service on or before 1/01/03, and returns to provide direct classroom instruction to pupils in K-12; extends sunset date from 7/1/03 to 1/1/10.
2	AJR 29	Pavley	Requests the President and Congress enact legislation to remove the burdensome effects of the GPO and WEP of the Social Security Act.
3	SB 640	Florez	Prohibits state agencies from contracting or entering into agreements with expatriate corporations.
4	SB 766	Florez	Expands ability of public pension funds to hold liable those who mislead them to buy/sell a security
5	SCR 11	Soto	Request CalSTRS and CalPERS to introduce shareholder resolutions urging drug companies to provide low-cost AIDS drugs in Africa.
6	Legislative Summary		

Mr. Derman will provide a verbal update at the meeting.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2003-04 Regular Session – May 16, 2003

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 91	<p>AUTHOR: Dutton TITLE: CB Benefit Program AMENDED: 5/13/03 LOCATION: Assembly Appropriations BOARD POSITION: Sponsor</p> <p>SUMMARY: Permits part-time, classified employees to participate in the CB Benefit Program, upon the formal action of the employing district's governing board.</p> <p>COSTS: Benefit program – No net benefit cost increase; the increased liability to the CB Benefit Program will be offset by increased program contributions. Administrative – To be determined.</p> <p>P – TRB O – None known</p>
AB 106	<p>AUTHOR: Corbett & Dutton TITLE: Surviving spouse benefits AMENDED: 3/20/03 LOCATION: Assembly Appropriations Suspense File BOARD POSITION: Support, If Amended</p> <p>SUMMARY: Extends existing benefits to survivors' spouses who were married less than 12 months, if the member's death was due to an injury or illness.</p> <p>COSTS: Benefit program – Estimated total cost of \$11 million Administrative – Minor, absorbable costs</p> <p>P – None known O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2003-04 Regular Session – May 16, 2003

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 205	<p>AUTHOR: Goldberg TITLE: Spousal Benefits for Domestic Partners AMENDED: 3/25/03 LOCATION: Assembly Appropriations Suspense File BOARD POSITION: Support</p> <p>SUMMARY: Extends the rights and duties of marriage spouses to persons registered as domestic partners on and after January 1, 2005.</p> <p>COSTS: Benefit program – Approximately \$37 million over the next 30 years, equal to \$2.5 million annually. Administrative – One-time cost of \$70,000</p> <p>P – California Alliance for Pride and Equality (Sponsor); ACLU; California School Employees' Association; California State Employees' Association; American Federation of State, County, and Municipal Employees; Gray Panthers; National Association of Social Workers</p> <p>O – Committee on Moral Concerns; Campaign for California Families; Capitol Resource Institute; Concerned Women for America; Traditional Values Coalition</p>
AB 212	<p>AUTHOR: Maze TITLE: Early Retirement Incentive AMENDED: 5/12/03 LOCATION: Assembly Floor BOARD POSITION: Support, If Amended</p> <p>SUMMARY: Eliminates the district deadline for offering the existing early retirement incentive, which provides an additional two years of service credit to DB members, and authorizes members, upon a specified certification by their employer and under terms of a memorandum of understanding, to receive credit for an additional four years of service, if those members retire within a designated period, prior to January 1, 2005.</p> <p>COSTS: Benefit program – Increased benefit cost offset by employer payments Administrative – Reimbursed by participating employers</p> <p>P – None known O – None known</p>

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2003-04 Regular Session – May 16, 2003

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 265	<p>AUTHOR: Mullin TITLE: 12-Month Final Compensation INTRODUCED: 2/4/03 LOCATION: Assembly Appropriations Suspense File BOARD POSITION: Pending</p> <p>SUMMARY: Defines final compensation for all members of the DB Program as the highest average annual compensation earnable by the member during 12 consecutive months.</p> <p>COSTS: Benefit program – Present value cost of \$2.1 billion over 30 years, equal to \$130 million annually in the first year. Administrative – Minor and absorbable</p> <p>P – CTA (Sponsor) O – None known</p>
AB 419	<p>AUTHOR: PER&SS TITLE: Teachers' Retirement Board Elections INTRODUCED: 2/14/03 LOCATION: Senate Rules BOARD POSITION: Sponsor</p> <p>SUMMARY: Allows CB Benefit Program participants to vote in all the Board elections; specifies that candidates must run for the seat in which they accrued the most service during the prior school year; extends reimbursement provisions and makes elected Board members subject to the Political Reform Act.</p> <p>COSTS: Benefit program – None Administrative – Minor and absorbable</p> <p>P – None known O – None known</p>

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<u>BILL NO.</u>	<u>INFORMATION</u>
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AB 434 **AUTHOR:** Hancock
 TITLE: Postretirement Earnings Limit
 AMENDED: 3/20/03
 LOCATION: Assembly Appropriations Suspense File
 BOARD POSITION: Support (Staff Recommendation)

SUMMARY: Extends current exemption from the earnings limit for a member who returns to provide direct classroom instruction to pupils in K-12, or to provide support to (1) new teachers, (2) individuals completing student assignments or (3) teachers participating in (a) Pre-internship Teaching Program, (b) an alternative certification program or (c) the School Paraprofessional Teacher Training Program to members who retired for service on or before 1/1/03, and extends the sunset date to 1/1/10.

COSTS: Benefit program – Foregone actuarial gain of about \$1 million annually.

 Administrative – Minor and absorbable

P – CTA, CRTA

O – None known

AB 1207 **AUTHOR:** Corbett
 TITLE: Early Retirement Incentive
 AMENDED: 5/7/03
 LOCATION: Senate Floor
 BOARD POSITION: Support

SUMMARY: Eliminates the district deadline for offering the existing early retirement incentive which provides an additional two years of service credit to DB Program members, and establishes a new program through 2004 to allow school districts that pay the actuarial cost, to provide two additional years of service credit and add two years to the age factor calculation that determines the benefit of a retiree.

COSTS: Benefit program – Increased benefit cost offset by employer payments

 Administrative – One-time cost of \$56,000, reimbursed by participating employers

P – CFT, ACSA, SSDA, CTA

O – None known

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<u>BILL NO.</u>	<u>INFORMATION</u>
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AB 1209 AUTHOR: Nakano
 TITLE: Public Agency Close Meeting Requirements
 AMENDED: 4/21/03
 LOCATION: Senate Rules
 BOARD POSITION: Support

SUMMARY: Permanently authorizes a state body to hold closed sessions to consider matters posing a threat or potential threat of criminal or terrorist activity against the public, including, but not limited to, personnel, property, buildings, facilities, or equipment, including electronic data, owned, leased, under the jurisdiction of, or controlled by the state body, subject to specified conditions.

COSTS: Benefit program – None
 Administrative – Minor and absorbable

P – None known

O – None known

AB 1586 AUTHOR: Assembly PER&SS
 TITLE: Part-time Community College Instructor Benefits
 AMENDED: 5/5/03
 LOCATION: Assembly Appropriations
 BOARD POSITION: Sponsor

SUMMARY: Permits the recalculation of benefits of part-time and adult education community college instructors.

COSTS: Benefit program – No additional cost
 Administrative - \$150,000

P – None known

O – None known

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2003-04 Regular Session – May 16, 2003

<u>BILL NO.</u>	<u>INFORMATION</u>
AJR 29	<p>AUTHOR: Pavley TITLE: Social Security Offset Provisions INTRODUCED: 4/10/03 LOCATION: Senate Rules BOARD POSITION: No position (Staff Recommendation)</p> <p>SUMMARY: Requests that the President and Congress of the United States enact legislation that would remove the burdensome effects of the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.</p> <p>COSTS: Benefit program – No additional cost Administrative – Possible modest savings</p> <p>P – None known O – None known</p>
SB 102	<p>AUTHOR: Burton AMENDED: 4/29/03 TITLE: Unused Sick Leave for Benefit Enhancements LOCATION: Senate Appropriations Suspense File BOARD POSITION: Sponsor</p> <p>SUMMARY: Allows up to two-tenths of one year of unused sick leave to count towards qualifying for one-year final compensation, longevity bonus and other benefit enhancements.</p> <p>COSTS: Benefit program – Unused sick leave: Range of \$0 to \$58 million over 30 years, equal to \$0 to \$5 million annually. Military service: total costs of approximately \$1 million. Administrative – One-time cost of \$200,000 to \$300,000</p> <p>P – CTA O – None known</p>

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<u>BILL NO.</u>	<u>INFORMATION</u>
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SB 147 **AUTHOR:** Torlakson
 TITLE: Health Security Account Program
 INTRODUCED: 2/6/03
 LOCATION: Senate PE&R
 BOARD POSITION: Pending

SUMMARY: Requires the Board to establish and administer by July 1, 2005, the Health Security Account Program for school employees who retired or have reached normal retirement age, to be funded by employer contributions.

COSTS: Benefit program – Increased benefit cost offset by employer contributions

 Administrative – \$2 million if CalSTRS administers program; a third-party administrator would be able to amortize the start-up and ongoing costs. Costs offset by contributions from participating employers

P – None known

O – None known

SB 269 **AUTHOR:** Soto
 TITLE: Public Retirement System Administration
 AMENDED: 5/12/03
 LOCATION: Senate PE&R
 BOARD POSITION: Sponsor

SUMMARY: Expresses legislative intent to clarify the plenary authority of state public retirement systems granted by The California Pension Protection Act of 1992, designates specific senior administrative and investment executives employed by CalSTRS and CalPERS as civil service positions, and allows the TRB and the CalPERS Board of Administration to set salary levels and performance standards for these positions.

COSTS: Benefit program – None
 Administrative – Minor and absorbable

P – Author

O – None known

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<u>BILL NO.</u>	<u>INFORMATION</u>
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SB 272 AUTHOR: Soto
 TITLE: Community College Districts Offering Social Security
 AMENDED: 5/12/03
 LOCATION: Senate Appropriations
 BOARD POSITION: Support, If Amended

SUMMARY: Requires community college districts to offer Social Security coverage to part-time community college faculty no later than July 1, 2004.

COSTS: Benefit program – None
 Administrative – Minor and absorbable

P – FACCC

O – None known

SB 627 AUTHOR: Senate PE&R
 TITLE: Technical Housekeeping Bill
 AMENDED: 5/8/03
 LOCATION: Senate Floor
 BOARD POSITION: Sponsor

SUMMARY: Makes a variety of technical and conforming changes to the Teachers' Retirement Law to improve system administration.

COSTS: Benefit program – None
 Administrative - None

P – None known

O – None known

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<u>BILL NO.</u>	<u>INFORMATION</u>
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SB 640 AUTHOR: Burton
 TITLE: State Agency Contracts with Expatriate Corporations.
 AMENDED: 5/7/03
 LOCATION: Senate Appropriations
 BOARD POSITION: Support (Staff Recommendation)

SUMMARY: Prohibits state agencies from contracting or entering into agreements with expatriate corporations.

COSTS: Benefit program – Possible lower investment returns
 Administrative – Minor and absorbable

P – None known

O – None known

SB 766 AUTHOR: Florez
 TITLE: Remedies for Securities Violations
 AMENDED: 5/13/03
 LOCATION: Senate Floor
 BOARD POSITION: Support (Staff Recommendation)

SUMMARY: Expands ability of public pension funds to hold liable those who knowingly or intentionally mislead them to buy or sell a security.

COSTS: Benefit program – Potential increased revenue to TRF
 Administrative – None

P – None known

O – None known

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<u>BILL NO.</u>	<u>INFORMATION</u>
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SBX1 20 **AUTHOR:** Senate Budget & Fiscal Review
 TITLE: Supplemental Benefit Maintenance Account
 LOCATION: Chapter 6, Statutes of 2003
 BOARD POSITION: Oppose

SUMMARY: Decreases by \$500 million for the 2003-04 fiscal year the transfer to the SBMA and require the Board, beginning in 2006, to report to the Legislature and the Director of Finance regarding the ability of the retirement system to pay purchase power protection payments in each fiscal year until 2036.

COSTS: Benefit program – One-time decrease of \$500 million to SBMA. If the Board determined prior to July 1, 2036, that the loss of \$500 million in contributions resulted in its inability to sustain the current program through 2035-36, then, subject to certification by the Director of Finance, the \$500 million, plus interest, would be repaid the SBMA.
 Administrative – None

P – None known

O – CalSTRS, CRTA

SCR 11 **AUTHOR:** Soto
 TITLE: HIV and AIDS Drug Treatment
 INTRODUCED: 4/24/03
 LOCATION: Senate Floor
 BOARD POSITION: Support, If Amended (Staff Recommendation)

SUMMARY: Requests CalSTRS and CalPERS to introduce shareholder resolutions urging drug companies to provide low-cost AIDS drugs in Africa.

COSTS: Benefit program – None
 Administrative – None

P – AIDS Care Foundation, Los Angeles

O – None known

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION

ORGANIZATION

AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Federation of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees' Retirement System
CalSTRS	California State Teachers' Retirement System
CALPIRG	California Public Interest Research Group
CASBO	California Association of School Business Officials
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCD	Community College District
CCPOA	California Correctional Peace Officers Association
CDE	California Department of Education
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CPIL	Center for Public Interest Law
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION

ORGANIZATION

EGTRRA	Economic Growth and Tax Relief Reconciliation Act of 2001
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board
LACCD	Los Angeles Community College District
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SCSA	State and Consumer Services Agency
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security Committee
Senate B, C&IT	Senate Banking, Commerce and International Trade Committee
Senate E, U & C	Senate Energy, Utilities and Communication Committee
Senate PE&R	Senate Public Employment and Retirement Committee